

10/19/79

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UNITED STATES GOVERNMENT

Memorandum

BQ 003

TO : DAS Eaton

DATE: 10/19/79

FROM : ECOM - John C. Amott

SUBJECT: Your conversation with Dr. Luis Garcia Martinez, Chief Economic Advisor, Ministry of Economy - October 19, 1979.

1. During the course of your conversation, Dr. Garcia Martinez outlined the essential goals of the economic policy of the Martinez de Hoz team, which he characterized as an innovative break with the autarchic and nationalistic policies of the past forty years. The major steps in achieving a freer economy open to world trade have been financial reform (return of the banking system to private hands and freeing of interest rates) and the lowering of tariffs. He also sketched out the essentials of the opposing philosophy which he considered reactionary and a return to the past. The most influential exponents of the latter tendency are the developmentalists of the Rogerio Frigerio school and the Peronistas. A broad sector of the military is also attracted to this view.

2. He then went into the subject of military politics. He said that the present promotion-retirement cycle is critical for the continuation of the current liberal economic policy. Whether the policy continues depends not so much on a continuation of Martinez de Hoz as on the continuation of military backing for it. If a Viola supporter such as Harguindeguy succeeds him as Commander-In-Chief, the current policy in its general outlines will continue. A successor to Martinez de Hoz might be Sigaut, an economist respected by General Viola and by business interests. He did not believe that Dagnino Pastore, also frequently mentioned as a possible successor to Martinez de Hoz, would fit the bill because of certain circumstances connected with his previous service in that post some years ago. Garcia Martinez did not seem too confident that the forces of reason will win out. He seemed particularly worried about the general attitudes of the rank and file of the officers in the military, whom, he said, tend to get their economic/political philosophies from the pages of the right-wing newspaper "Cabildo."

3. Finally, in response to your remarks on the human rights question, he described the Argentine view--held generally by business employer groups, "intellectuals" and the military--that the Carter administration and specifically the leftists in the State Department are attempting mistakenly to destabilize the Videla government on the assumption that this course somehow furthers human rights. The



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Nicaraguan affair has added to the general concern. Argentine labor support of the U.S. policy is complicated by a concurrent willingness of some sectors of Argentine labor to cooperate with the ambitions of hardline military seeking to overthrow Viola and Videla, even though these people are hardly pro-labor or pro-human rights.

4. He also remarked that Patricia Derian is a hated figure in Argentina. President Carter is not admired at all, but in the view of Argentines Edward Kennedy would be a thousand times worse. Argentines, he said, will never be able to understand the U.S. policy on human rights and its idealistic tendency to brush aside the practical realities of dealing with terrorism. The Videla-Viola-Martinez de Hoz group is firmly committed to an eventual return to the rule of law and anything that weakens them and strengthens their opponents in the long run weakens the chances for the realization of what the U.S. would appear to be aiming at in its attitude toward this country. He expressed wonderment at the tendency of the State Department and the U.S. Government generally as well as the U.S. Congress to receive and give approval to recognized Argentine terrorists as well as people in the opposition whose history could scarcely qualify them for recognition as Argentine democrats.

5. He expressed strong interest in keeping in touch with you on a personal basis.

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